

**ABSTRACT OF THE DISCLOSURE**

A system and method of image processing for smoothing, denoising, despeckling and sharpening scanned document images which is performed prior to a compression. The scanned image is selectively smoothed by anisotropic diffusion filtering in a single iteration with a 3x3 kernel, which provides denoising, edge-preserving smoothing. The smoothed image data is then selectively sharpened using variable contrast mapping that provides overshoot-free variable-sharpening and despeckling. Image quality is improved while increasing compressibility of the image.